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AUTHOR Campbell, Sally R.
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ABSTRACT

Secondary students in consumer education, general business, and home and family living courses can learn about auto and home insurance by participating in these learning activities. The exercises can also be used in adult education courses. The type of information provided for the activities includes key concepts, objectives, generalizations, new vocabulary, and the learning activities. In many of the activities students are presented with a situation with which they must deal. For example, "Your home has burned to the ground. Everything is destroyed. Your homeowner's policy covers your losses up to the limits stated in the policy." Suggestions for inquiry include having students list all household furnishings and personal possessions in their home and call an insurance agent to learn what assistance they would get in filing a claim and how long it would take to get a settlement. Students also investigate and report on different types of insurance, debate topics, do research, and listen to guest speakers. The guide concludes by citing sources of information on property and liability insurance and describing educational materials available from the Insurance Information Institute. (RM)

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Educator's Guide to Teaching Auto and Home Insurance

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About the author . . .

SALLY R. CAMPBELL is a consultant and writer on consumer education and consumer affairs. Her articles appear in consumer magazines and professional journals and she has developed numerous consumer education materials for use in schools and by club groups. Mrs. Campbell holds a master's degree in home economics education. She taught home economics in the St. Louis public schools, worked as an educational representative for the McCall Pattern Company and served as editor of the Money Management Institute of Household Finance Corporation.

Consultants:

DR. WANDA BLOCKHUS, *Professor*
School of Business
San Jose State University
San Jose California

DR. E. THOMAS GARMAN, *Associate Professor*
College of Home Economics
Virginia Polytechnic Institute and State University
Blacksburg, Virginia

Project Director:

JOSEPH G. BONNICE, *Assistant Vice President*
Education Department
Insurance Information Institute
New York, New York

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INTRODUCTION

How does the quality of instruction influence student learning? Benjamin S. Bloom in his work, *Human Characteristics and School Learning,* says: "In general, we have estimated that quality of instruction is a causal link in determining learning and variance on relevant cognitive achievement measures. The correlation evidence . . . suggests that quality of instruction is a casual link in determining learning and in accounting for educational achievement."[1]

The *Educator's Guide to Teaching Auto and Home Insurance* is an attempt to assist educators in improving the quality of instruction in auto and home insurance.

The topic of property and liability insurance is included in almost every city and state course of study or in guidelines for consumer education. In addition, auto and home insurance is covered in most textbooks in consumer education, general business, and home and family living.

A typical student will probably spend at least $25,000 in his or her lifetime for the auto and home insurance coverages which today are looked upon as a virtual necessity. This alone should encourage teachers to ensure that students develop a firm grasp of the topic.

The *Educator's Guide to Teaching Auto and Home Insurance* will help teachers present a unit on property and liability insurance in a form meaningful to students, using materials provided by the Insurance Information Institute and other sources. The guide offers suggestions and guidelines to help teachers who are not insurance experts to:

- organize the material into a framework of key concepts and generalizations for more effective learning and recall.
- set up instructional objectives to direct study, inquiry and evaluation.
- find, evaluate, and use available resource materials on auto and home insurance.
- select teaching techniques that motivate and involve students to achieve desirable behavioral objectives.
- prepare students to maintain a property and liability insurance program tailored to personal needs throughout the life cycle; to understand the role of property and liability insurance as it relates to consumers, the industry and the economy, and to recognize and respond to significant new laws, developments and issues in the insurance field.

The organization of the performance objectives included in the guide is based on the Taxonomy of Educational Objectives.[2] The teaching-learning activities are intended to elicit student responses at all levels of the cognitive domain.

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[1] Benjamin S. Bloom, *Human Characteristics and School Learning,* McGraw-Hill Book Company, New York, 1975, p. 135.

[2] Benjamin S. Bloom, et al. *Taxonomy of Educational Objectives, Handbook I Cognitive Domain,* New York, David McKay and Company, Inc., 1956.

PART I
INSURANCE FOR THE HOME

Every 40 to 45 seconds, on the average, a residential fire breaks out somewhere in the United States. The resulting property damage totals more than $2 billion dollars each year. Dollar losses from the crimes of robbery, burglary, larceny and theft — many of which occur on residential properties — total more than $4 billion a year.

Other property losses result from a variety of perils including wind damage, tornadoes, hurricanes, floods, earthquakes, civil disorders and vandalism.

Homeowners and tenants can protect themselves with insurance against financial losses from such perils. Insurance for the home is available in a variety of forms. Knowing how to select the right policy and coverage for different needs is an essential skill for consumers who want to protect their investments in real and personal property.

Part One of this guide is designed to help provide students with the information and background they will need to make appropriate consumer decisions when they are ready to insure a home and its contents.

INSTRUCTIONAL OBJECTIVES

Ideally, after completing a unit on insurance for the home students will be able to:

At the Knowledge Level

- identify risks and perils related to owning, renting, furnishing and occupying a home.
- define key words and phrases used in homeowners insurance.

At the Comprehension Level

- summarize both coverages and exclusions outlined in specific homeowner policies.
- distinguish the differences in coverage among various forms of homeowner policies.

At the Application Level

- select appropriate coverage when presented with a given set of insurance needs.
- show perils covered by different forms of homeowners policies when presented with a given set of property losses.

At the Analysis Level

- outline liability coverage provided in homeowners policies including bodily injury and property damage liability and medical payments.
- diagram the amounts of coverage applicable to appurtenant private structures, to personal property and to additional living expenses on the basis of the amount of coverage purchased on the dwelling.

At the Synthesis Level

- relate current laws and developments dealing with property and liability insurance to their impact on consumers and the insurance industry.
- compile a list of personal possessions and their estimated values to use in determining insurance needs.

At the Evaluation Level

- compare one policy with another to determine differences in coverage and costs.
- evaluate the effect on home insurance costs of the loss experience of insurance companies and various other factors.

PROPERTIES COVERED BY HOMEOWNERS POLICIES

Key Concepts

- dwelling
- appurtenant structures
- personal property

Words and Terms to Know

homeowners policy
premises
inventory
claim
settlement
floater
unscheduled property
household furnishings
personal belongings
additional living expenses

GENERALIZATIONS

- Homeowners insurance policies, available in different forms, cover house, garage and other structures on a policyholder's lot except buildings used for commercial or rental purposes.
- Personal property covered by homeowners insurance, up to limits stated in the policy, includes all household furnishings and contents along with other personal belongings.
- Additional living expenses incurred when a home cannot be occupied because of damage caused by a peril covered by the policy, such as fire or vandalism, are paid by the insurance company up to the limits stated in the policy.

LEARNING EXPERIENCES

Situation and Inquiry

Put yourself in the following situations and carry through with the suggestions for inquiry:

Situation One

You cannot live in your home because it has been damaged by fire. The house is covered by a homeowners policy. You and your family must live in a motel for six weeks while your home is being repaired.

Suggestions for Inquiry

1. Find out by surveying hotels and motels in your area about what it would cost to set up your family for six weeks.
2. Check menus and prices in several restaurants and estimate what it would cost your family to eat out for six weeks.
3. Find at least two alternatives to hotel-motel/restaurant living.
4. Study your family's homeowners policy, if you have one, or a sample policy* to determine how much 'additional living expense' you could collect.

Situation Two

You are taking a car trip. Someone breaks into your car and steals your luggage and belongings worth $500.

Suggestions for Inquiry

1. Check your family's homeowners policy or a sample policy to find out how much of the loss would be covered by insurance and what you would have to do to make a claim.
2. Check with your local police department to find out under what conditions this type of theft typically occurs.
3. List at least five safeguards you can take to prevent thefts from cars.

Situation Three

Your stamp collection, worth close to $10,000, is destroyed by fire. The loss is covered by homeowners insurance, but you have no appraisal to prove the value of your collection and no separate insurance coverage for it.

Suggestions for Inquiry

1. Find out by studying your family's homeowners policy or a sample policy how much you are likely to collect for your loss.
2. Call an insurance agent or broker to learn how a claim in this kind of situation should be filed and what type of settlement could be expected. How would the claims procedure and settlement be different if you had an appraisal and/or a 'floater' on your stamp collection?
3. Call an appraiser to find out the approximate cost and procedure for an appraisal on a specific valuable such as a stamp or coin collection, jewelry or work of art.

Situation Four

Your home has burned to the ground. Everything is destroyed. Your homeowners policy covers your losses up to the limits stated in the policy.

Suggestions for Inquiry

1. From memory, list all the household furnishings and personal possessions in your home and estimate the value of each. Check your list against actual contents and add any items you omitted.
2. Call an insurance agent or broker to learn a) what assistance you would get in filing a claim if your home burned, b) about how long it would take to get a settlement, c) to what extent an inventory with photographs would aid in making your claim and getting a satisfactory settlement.
3. Check with your fire department to learn the major causes of home fires and make a list of ten steps a home owner can take to reduce the chance of fire in the home.

Personal Project

Making an inventory is an excellent way to learn both the value of property and the amount of insurance needed to cover possible losses. Make a complete inventory of a) your personal possessions and their values, and b) your family's household furnishings and personal property with estimated values. You can make up your own inventory form or ask an insurance agent or company for a homeowners inventory book-

*A sample policy kit is available without charge from the Insurance Information Institute.

let. If possible, take photos of rooms in your home to go with your inventory.

Research Assignments

Choose one or more of the following research assignments.

1. Investigate and report on property and liability insurance for:
   - mobile homes
   - condominiums
   - cooperative apartments
   - unoccupied dwellings
   - specific valuables
2. Investigate and report on fire alarm systems for the home. Check features to look for, costs, performance records and effect, if any, on insurance premiums.
3. Investigate and report on protecting the home against intruders and vandals. Include information on lighting, locks and bolts, alarm systems, dogs, police protection, precautions when home is unoccupied, neighborhood cooperation and other means of protection.
4. Investigate and report on the consequences of dishonest insurance claims from the point of view of:
   - the person making the claim
   - the company paying the claim
   - other policyholders
   - the insurance industry.

PERILS AGAINST WHICH PROPERTIES ARE INSURED

Key Concepts

- perils
- Basic Form HO-1
- Broad Form HO-2
- Comprehensive Form HO-5
- Tenants Form HO-4
- Special Form HO-3

Words and Terms to Know

all risk
exclusions
flood insurance
earthquake insurance

GENERALIZATIONS

- The number of perils property is insured against depends on which form of homeowners insurance is purchased.
- The Basic Form (HO-1) insures property against the first 11 perils listed on the chart, page 21.
- The Broad Form (HO-2) insures property against all 18 perils listed on the chart.
- The Comprehensive Form (HO-5) insures against all perils except certain perils which are specifically excluded in the policy.
- The Special Form (HO-3) insures the dwelling and other structures on the property against all perils except those which are specifically excluded (as does the Comprehensive Form); it insures personal property and household contents against the 18 perils listed on the chart (as does the Broad Form).
- The Tenants, or Contents Broad Form (HO-4), covers household contents and personal belongings against the 18 perils listed on the chart.

(Earthquake and under certain conditions flood insurance may be purchased in addition to homeowners insurance.)

LEARNING EXPERIENCES

Situation and Inquiry

Put yourself in the following situation and carry through with the suggestions for inquiry.

Situation One

You and your spouse, married three years, buy a home for $30,000 with a $23,000 mortgage. The mortgage lender requires insurance on the property to protect the lending institution. In addition you want to protect your own investment and personal property, but you have no idea what type or how much insurance coverage to buy.

Suggestions for Inquiry

1. Study the chart on page 21 to learn what perils are included in different forms of homeowners insurance. Discuss and list at least five factors to consider in choosing among the comprehensive, the broad and the basic homeowners policies for the above situation.
2. Find out how the Special Form (HO-3) differs from but combines coverages of the Forms described in the chart. Discuss circumstances under which this type of coverage would be most appropriate. What advantages would this type of coverage offer in the above situation?
3. Refer to the home insurance section in at least three basic money management texts or other books to learn what advice and information is provided on insuring the home. Compile and summarize the information from all three sources which would be helpful in making an appropriate choice in the above situation.

Personal Project

Study your family homeowners policy, or a sample policy if your family is not covered, to determine the Policy Form and perils included. If your family has a homeowners policy, find out why the particular form and coverage was chosen, when coverage was last reviewed, and what, if any, claims have been filed.

Research Assignments

Choose one or more of the following topics for research and investigation.

1. Investigate and report on programs in which government provides insurance backup to meet special needs. Specific programs to study include:
   - National Flood Insurance Program.
   - Federal Crime Insurance Program.
2. Study homeowners policies — HO-1, HO-2, and HO-5 — to learn in greater detail what the perils listed in the chart, page 21 mean and what and when different items or perils are excluded. Circle any terms or phrases you do not understand and discuss them either in class for a fuller understanding or ask an insurance agent or broker to explain the policy more completely.

Debate

Pick an opponent or organize teams of class members to argue the pros and cons of the following statements.

- Comprehensive Form HO-5 is always the best homeowners policy to buy because it protects against the most risks.
- Fire insurance is not necessary if you install a reliable fire alarm system in the home and remove all known fire hazards.

LIABILITY COVERAGE

Key Concepts

- bodily injury liability coverage
- property damage liability coverage
- medical payments coverage
- supplementary coverage

Words and Terms to Know

legal liability	medical expenses	payment of damages
property damage	legal defense	basic amount of protection
bodily injury	indemnification	

GENERALIZATIONS

- Liability insurnace provides protection against lawsuits or claims filed by persons who consider the policyholder, family members or pets, responsible for specific injuries or property damage. Coverage applies to injuries and property damage occurring on the policyholder's property or elsewhere.
- Individuals who carry no liability insurance risk financial disaster if they should be held legally liable for serious injury or property damage.
- All forms of the homeowners policy include personal liability, medical payments to others and other liability coverages applicable to the policyholder and family members who live in the home. The liability coverage protects against lawsuits involving bodily injury or property damage and pays for legal costs of defense as well as damages assessed against the policyholder up to the limits stated in the policy.
- Medical payments liability coverage pays for medical expenses of others resulting from minor accidental injuries occurring on a policyholder's property or caused by the policyholder, family member or pet, up to the limit of $500 per person, unless larger amounts of protection are purchased.
- Homeowners insurance includes supplementary coverage to pay for minor damage to the property of others when caused by the policyholder, family member or pet, up to a limit of $250 for any one incident.

LEARNING EXPERIENCES

Situation and Inquiry

Put yourself in the following situations and carry through with the suggestions for inquiry.

Situation One

Your dog attacks a neighbor who enters your home in your absence. The neighbor is seriously injured and his medical bills exceed $500. He sues you for damages.

Suggestions for Inquiry

1. Find out what your homeowners insurance will pay a) If you are found legally liable, b) if you are not found liable, c) through medical payments coverage after the lawsuit, if you are not found liable.
2. Investigate local ordinances connected with pet control and owner responsibilities for pets.

Situation Two

Your 8-year-old son, playing baseball in the park, lets the bat fly after hitting a home run. The bat hits

another child in the head causing a big gash and requiring emergency room treatment at an expense of $350. Later the child requires plastic surgery costing $1,500, and his parents sue you for damages.

Suggestions for Inquiry

1. Determine to what extent a homeowners insurance policy would protect you under what coverage or coverages.
2. Assuming that this accident had occurred during a game under the supervision of the park district or school, find out what liability the supervisory agency would bear.

Situation Three

In a windstorm a branch from your dead tree is blown against a neighbor's porch causing $750 property damage.

Suggestion for Inquiry

Determine to what extent your homeowners policy would protect you a) without a lawsuit; b) with a lawsuit; c) if it had been your own porch.

Situation Four

You have no homeowners or other liability insurance. An elderly neighbor falls on your icy steps, breaks a hip, incurs medical expenses in excess of $3,000 because of complications, and sues you for damages.

Suggestions for Inquiry

1. Research this situation and come up with a minimum and a maximum estimate of how much this accident could cost you.
2. Assume that the injured person had been a delivery person rather than a neighbor. To what extent might his or her employee benefits cover this incident and to what extent might you still be liable?
3. Estimate the cost to you, if any, in this situation if you carried homeowners insurance.

Research Assignments

Choose one or more of the following topics for research and investigation.

1. Investigate and report on the types and size of claims typically made on homeowners liability coverages. For information contact insurance companies, insurance agents or brokers.
2. Study and report on individual and family circumstances which would call for more liability coverage than the homeowners policy normally provides.

Debate

Pick an opponent or organize teams of class members to argue the pros and cons of the following statements.

- If you are young and own very little property of value, you need no liability insurance because you have nothing to lose.
- The $25,000 personal liability coverage provided in a homeowners policy is adequate for any individual or family.

Communications

Write an article for the school paper explaining the liability coverages provided by a homeowners insurance policy.

COSTS OF HOMEOWNERS INSURANCE

Key Concepts

- rates
- deductible
- premiums
- full value
- 80% of value

Words and Terms to Know

State department of insurance
partial loss
loss experience
replacement value
amount of coverage
appraisal
inflation guard endorsement

GENERALIZATIONS

- The cost of insurance for the home depends largely on the form and amount of coverage purchased and on other factors including:
  - home construction
  - amount of the deductible you select
  - cost and frequency of claims
  - adequacy of the community's fire fighting service and water supply
- Deductible clauses reduce insurance costs because they eliminate small claims which are costly to process.
- Most homeowners policies call for a $100 deductible (amount the insured pays toward covering each loss) although higher deductibles are often available at premium reductions of as much as 25%.
- To receive full payment for partial losses, a dwelling must be insured for at least 80% of its current replacement value.
- The amount of coverage purchased on a dwelling determines amounts of coverage that are assigned to other structures, personal property and additional living expenses.

• An inflation guard endorsement, available in many states, provides for an automatic increase in coverage as protection against the effects of inflation.

LEARNING EXPERIENCES

Situations for Inquiry

Put yourself in the following situations and carry through with the suggestions for inquiry.

Situation One

A smoldering cigarette sets fire to a sofa in your living room. Although fire fighters prevent the blaze from spreading, smoke and water damage necessitate the repainting of walls and woodwork in several rooms at a cost of $1,100. You put in a claim on your homeowners policy which includes a $100 deductible, but discover the policy, which you have renewed each year without reviewing it, insures your home for only 60% of its current replacement value.

Suggestions for Inquiry

1. Find out how much you could expect to collect toward payment of the $1,100 if the home is valued at $25,000 and is insured for $15,000; what would be the difference if the home was insured for $20,000 or 80% of its replacement value?
2. Check and compare costs of homeowners insurance on a frame home in your community valued at $35,000 and insured at a) 60% of value, b) 80% of value, c) full value.
3. Check on the availability and cost of an inflation guard endorsement on homeowners insurance in your community.

Situation Two

You leave your $500 electric guitar in the music room at school. It is destroyed by two non-musicians who decide to experiment with it. Your family's $30,000 homehowners policy has a $250 deductible clause.

Suggestions for Inquiry:

1. Determine the approximate differences in premiums for a Comprehensive Form (HO-5) homeowners policy for $30,000 with a deductible of a) $100, b) $250 and c) $500.
2. Compare the premiums for different deductible amounts over a five-year period to determine total dollar savings on higher deductibles. Determine how many losses of $500 each a policyholder would have to experience in five years to reach a point where the additional premium for a lower deductible would be offset by the greater recovery from losses.

Personal Project

Review the following suggestions on "Ways to Get the Most from the Money You Spend on Insurance for the Home". Discuss them with your family and carry out as many of these steps as possible yourself.

WAYS TO GET THE MOST FROM THE MONEY YOU SPEND ON INSURANCE FOR THE HOME

- Make a complete inventory of household possessions with estimated values both to help determine how much coverage to buy and to use in making claims.
- Find out the current replacement value of your home and insure it at 80% of that value.
- Consider insuring your home for full value or more, or securing a special endorsement if household belongings and personal possessions exceed 50% of the value of your home.
- Consider larger deductibles to reduce premiums, particularly if you want maximum coverage at lowest rates for major losses and are able and willing to sustain minor losses.
- Review coverage periodically.

Panel Presentation

Invite a panel of local representatives from an insurance agency or brokerage, a real estate firm, the tax assessor's office and a mortgage lending institution, to discuss:

- Property values and inflation
- Property values for different purposes — taxes, insurance, mortgage, replacement, sale, etc.
- How property values are determined for different purposes.

PART II
AUTOMOBILE INSURANCE

Each year, around 50,000 persons die and 5 million are injured in more than 25 million auto accidents in the United States. More than 35 % of the drivers involved are under age 25. Economic losses resulting from traffic accidents have been climbing steadily, and exceeded the $50 billion mark for the first time in 1978.

Automobile insurance provides six basic coverages to protect drivers and their families from the financial risks involved in owning and driving an automobile. Part two of this guide is designed to help you provide students with the information and background they will need to make appropriate decisions when they are ready to buy automobile insurance.

INSTRUCTIONAL OBJECTIVES

Ideally, after completing a unit on automobile insurance students will be able to:

At the Knowledge Level

- identify the six basic coverages provided by auto insurance.
- define the no-fault concept as it applies to auto insurance.

At the Comprehension Level

- summarize conditions that led to no-fault auto insurance.
- summarize the protection provided by each of the six basic coverages of auto insurance.

At the Application Level

- make a prudent selection of coverages appropriate to their personal needs.
- relate auto insurance premiums to driver classification of the insured; year, make and model of car; limitations on protection, and amount of the deductible.

At the Analysis Level

- outline the characteristics considered in determining driver classification.
- identify which of the basic coverages would pay for different types of claims.

At the Synthesis Level

- summarize key laws of their state affecting auto insurance, particularly concerning financial responsibility, regulation, no-fault and uninsured motorists.

At the Evaluation Level

- compare auto insurance policies to determine differences in coverage and costs.
- relate the cost of auto insurance premiums to costs in related areas such as auto repairs and medical expenses.

"NO-FAULT" AUTOMOBILE INSURANCE

Key Concepts:

- no-fault automobile insurance
- threshold for suit
- no-fault law

Words and Terms to Know

pain and suffering
settlement
claim
legally liable
court decision
jury award
financial losses
loss of income
income producer
essential services
right to sue
no fault

GENERALIZATIONS

- The expense, delays and uncertainties inherent in the process of determining who is legally at fault when accidents occur led to the 'no-fault' concept in auto insurance.
- Under no-fault auto insurance medical and other expenses incurred by each person injured in an auto accident are paid by his or her own insurance company without concern for who was at fault or legally liable.
- The state legislature must approve the no-fault concept to make it operative in the state.
- No-fault laws vary from state to state, primarily concerning:
  - the amounts to be paid policyholders for medical expenses and funeral expenses and whether the amounts shall be limited or unlimited.
  - the amount of loss of income to be paid injured income producers.
  - amounts to be paid for performance of essential services a non-income producer in a family is unable to perform.
  - conditions governing the right to sue.
  - inclusion or exclusion of property damage payments.
- An understanding of one's own state laws (if any) on no-fault insurance as well as of the six basic coverages of auto insurance is essential to make informed decisions on buying auto insurance.

LEARNING EXPERIENCES

Situations for Inquiry

You are driving some friends to a school basketball game. You stop suddenly to avoid hitting a dog that runs in front of your car. The car in back of you rams the rear end of your car. Two of your friends and the driver of the other car are injured slightly, but both cars are badly damaged.

Suggestions for Inquiry

1. Check your family's auto insurance to see what protection it provides for this type of accident.
2. Determine whether no-fault is operative in your state. If it is, find out whether property damage is covered. (This information is available through the State Department of Insurance or a local agent.)
3. If yours is a no-fault state, find out how claims for this accident would be handled. If yours is not a no-fault state, find out how you would file a claim and reach a settlement on this accident.
4. Review rules of the road and traffic laws to determine who is at fault in this accident.
5. Investigate procedures to follow in case of accident and write a brief "Instruction Sheet to Follow in Case of an Auto Accident".

For information, contact your state's motor vehicle department or local police and review driver education materials.

Situation Two

You are baby sitting with a two-year-old child who falls from a slide and breaks his arm. His parents are away and so are yours and you must get the child to the hospital emergency room in your family's car. In your hurry you are speeding, run a stop sign and hit another car. A passenger in that car is injured and both cars are badly damaged.

Suggestions for Inquiry

1. Check your family's auto insurance to find out what type of protection it provides for this type of accident.
2. If your state has a no-fault law, determine how the claim or claims would be handled if all claims were under the "threshold for suit," if the injury claim exceeded the threshold for suit, and if property damage is not included in no-fault provisions.
3. If yours is not a no-fault state, find out under what conditions your policy would pay damages if you were held legally liable; if you were not held liable; if the other driver were found partially at fault.
4. In a state where no-fault is not operative, find out what procedures would be involved in establishing fault before any insurance settlement could be made, and what kinds of costs would be involved in arriving at a settlement.

Debate

Pick an opponent or organize teams of class members to argue the pros and cons of the following statements.

- No-fault auto insurance encourages irresponsible drivers because insurance claims are paid regardless of who causes an accident.
- No-fault auto insurance is unfair because of the restrictions it imposes on people's ability to collect for "pain and suffering" endured in an auto accident.

Research Assignments

Choose one or more of the following topics to research and investigate.

1. Investigate and report on the effectiveness of the no-fault auto insurance law in your state or a nearby state, including the claims experience prior to and following the implementation of the law.
2. Research and report on the history of the no-fault auto insurance concept — when, how and why it started.

BASIC AUTOMOBILE COVERAGES

Key Concepts

- bodily injury liability
- property damage liability
- medical payments
- protection against uninsured motorists
- comprehensive physical damage
- collision

Words and Terms to Know

legal defense	Indemnification
damages	BI/PD
10/20	uninsured motorist
25/50	financial responsibility laws
100/300	deductible

GENERALIZATIONS

- Bodily injury liability insurance pays for legal defense and for damages assessed against a policyholder or family member for bodily injury to others, up to the limits stated in the policy.
- Amounts of bodily injury coverage usually are stated as 10/20, 25/50, 100/300 with the first amount (in thousands) the maximum to be paid for any one injury and the second amount (in thousands) the maximum to be paid for any one accident. (In some states or in some policies a single limit is stated.)
- Property damage liability insurance pays for legal defense and for property damage for which the policyholder is held legally liable, up to limits stated in the policy.
- Auto drivers can satisfy requirements of their state's financial responsibility law by purchasing bodily injury and property damage liability coverage up to the amounts specified by state law.
- Comprehensive physical damage insurance protects policyholders against financial losses resulting from damage to their own cars when caused by any of a number of perils listed in the policy.
- Collision insurance protects policyholders against financial loss resulting when their own cars are damaged by collision with another vehicle or object or as a result of turning over.
- Medical payments insurance pays for medical expenses, up to limits stated in the policy, resulting from injuries to the policyholder, family members, and guests riding in a policyholder's car.
- Protection against uninsured motorists pays damages to injured persons which are caused by uninsured motorists or hit-and-run drivers up to the limits stated in the policy.

LEARNING EXPERIENCES

Situations for Inquiry

Put yourself in the following situations and carry out the suggestions for inquiry.

Situation One

You run into a car that stopped suddenly in front of you. Your nose is broken. A friend in your car breaks a leg and the other driver suffers serious cuts and bruises. Property damage is extensive.

Suggestions for Inquiry

1. Check your family's auto insurance to find out what protection it would offer in this type of accident. Do you have bodily injury liability? Property damage liability? Collision coverage? How much coverage do you carry — what are the limits stated in the policy?
2. Study the six basic auto insurance coverages to find out which you would need to pay for:
   - legal defense if you are sued
   - your broken nose
   - your friend's broken leg
   - the other driver's injuries
   - the damage to the other car
   - the damage to your car

Situation Two

You and a date go to the movies in your family's car. When you come out of the theater you find the front end of the car badly wrecked. There is no sign of another driver or the car that ran into yours. Repairs come to $1,500.

Suggestions for Inquiry

1. Check your family's auto insurance to see if it covers this type of accident. If so, describe the coverage and how much the insurer would pay. What type of coverage would you need if the car had been stolen rather than wrecked?
2. Check with your police department to find out how many 'hit and run' accidents and how many car thefts are reported on the average in a year in your community.
3. Find out some other types of accidents and losses that would be covered by collision and comprehensive physical damage insurance.

Situation Three

Your car is hit by an uninsured motorist when he runs a stop light. The accident is clearly his fault. A passenger in your car and the other driver are seriously injured.

Suggestions for Inquiry

1. Check your family's auto insurance to see whether you are protected against uninsured motorists and whether your insurance will pay for property damage to your car as well as for injuries.
2. Check your state's financial responsibility laws to learn the minimum amounts drivers must be able to pay for bodily injury or property damage. According to your state's financial responsibility law, what would the other driver in this accident be required to do and what would be the consequences if he failed?

Field Trip

Sit in on a session of a personal injury trial involving an automobile accident to learn what is involved in establishing fault and settling claims.

Debate

Pick an opponent or organize teams of class members to argue the pros and cons of the following statement.

- Collision insurance is important only for new cars.
- Comprehensive physical damage coverage is important only if a car is routinely exposed to the elements or you live in an area where car thefts and vandalism are a serious problem.

Panel Presentation

Invite a panel of local representatives including any of the following — attorney, insurance agent or broker, insurance claims adjuster, driver training instructor, traffic policeman, auto mechanic, an individual who has been in a traffic accident. Plan to discuss a selection of the following topics.

- types of auto insurance coverage
- claims experience
- traffic violations and accidents
- safe driving practices
- car maintenance for prevention of auto accidents
- safety features in automobiles
- procedures and costs involved in establishing fault and settling claims
- no-fault insurance

Research Assignment

Study and investigate any one of the above topics and write a report or an article for the school or a local newspaper.

COSTS OF AUTOMOBILE INSURANCE

Key Concepts

- auto insurance costs
- rates for auto insurance

Words to Know

rating territory
loss experience
driver classification
policy limits
deductible clause
driving record
discounts
year, make and model

GENERALIZATIONS

- The cost of auto insurance is based largely on the frequency and cost of insurance claims resulting from automobile accidents.
- Rates for auto insurance vary according to "rating territory" and "loss experience" within each territory.
- Driver classification is an important factor in determining the cost of an individual's auto insurance.
- Drivers are classified for insurance purposes according to age, sex, marital status, driving record and use of car, with young, male, single drivers paying the highest premiums because a higher percentage of such drivers are involved in accidents.
- Drivers with a "clear driving record" usually pay a lower rate for auto insurance than do those who have been at fault in an accident or convicted of a serious traffic law violation during the most recent 3-year period.
- Premium discounts may be available to certain drivers including farmers, driver education graduates and good students, as well as to multi-car families.
- The cost of collision and comprehensive insurance depends partly on year, make and model of car with slightly lower premiums as the car gets older.
- Higher deductibles mean lower premiums for collision and comprehensive auto insurance.

LEARNING EXPERIENCES

Situations for Inquiry

Put yourself in the following situations and carry out the suggestions for inquiry.

Situation One

You will reach your state's legal driving age in two months, you have successfully completed your school's driver education course and you plan to apply for your license as soon as you become eligible.

Suggestions for Inquiry

1. Find out from an insurance representative how much your family's auto insurance premiums would increase if you were included as a new driver. How would the premium be affected if you qualified for a "good student" discount? How would the overall premium per car differ if yours is a two-car family or a three-car family as opposed to a one-car family? Select a car you would like to own and find out what the premium would be if you were to buy and insure it.
2. Using the chart below find out what your family's premiums would be for each of the coverages described, with you as a driver.

Situation Two

You are 20, single, living in an apartment in your city or in a nearby city in your state. You have completed a driver education course and have a clear driving record. You are buying your first car — a two-year-old Volkswagen bug.

Suggestions for Inquiry

1. Contact an insurance agent and using the chart below, find out approximately what you would pay for the different coverages listed on the chart for this particular car in the situation described.
2. Find out how the premiums would differ:
   - if you had a driving record with three speeding convictions within one year.
   - if you were: 24 years old; 29 years old.
   - if you were married.
   - if you were the opposite sex.
   - if you were buying a new MGB sports car instead of a used VW.

Automobile Insurance Shopping Chart

COVERAGES	POLICY LIMITS	PREMIUMS
Bodily Injury Liability	10/20	
	50/100	
	100/300	
Medical Payments	$ 5,000	
	$10,000	
	$25,000	
Uninsured Motorist	10/20	
	50/100	
Property Damage	$ 5,000	
	$10,000	
	$50,000	
Collision	$100 deductible	
	$250 deductible	
Comprehensive	$100 deductible	
	$250 deductible	

Debate

Pick an opponent or organize teams of class members to argue the pros and cons of the following statements.

- Higher insurance premiums for young, single, male drivers are fair because they are based on statistical records of accident involvement.
- Insurers should not be required to insure bad risk drivers.

Personal Project

Review the following suggestions for buying auto insurance and carry out as many of these steps as possible with your family, particularly in connection with changes in premiums as a result of your being added to the family policy as a new driver.

Class Projects

Expand your knowledge and understanding by choosing one or more of the following assignments for thorough investigation. Selected students can investigate the following topics and report to the class.

1. Contact insurance agents or brokers to check on the availability, advisability and cost of different types of property and liability insurance for:
   - motorcycles
   - snowmobiles
   - boats
   - mini-bikes
2. Study and report on the relationship of the costs of medical and hospital care, auto repairs, auto parts and retail prices for new cars to the cost of auto insurance.
3. Investigate and report on the conditions under which an insurer may refuse to renew an insurance policy or increase the premium.

SUGGESTIONS FOR BUYING AUTOMOBILE INSURANCE

1. Decide on the types and amounts of coverage you need. If you now have a policy, review your coverage and its cost before renewal time.
2. Check with several reputable insurers, keeping in mind that the least expensive coverage is not necessarily the best for you. Consider also such things as the company's reliability and its reputation for service including claims handling. If you're in doubt about a company, check with your state insurance department.
3. Consider the saving in premium available through the purchase of a higher deductible — you may find it pays in the long run to take care of small losses yourself.
4. Check with your agent regarding your eligibility for premium discounts for:
   - safe driving.
   - graduates of recognized driver education courses.
   - good students.
   - students attending school over 100 miles from where the family car is garaged.
   - drivers over 65.
   - low annual mileage.
   - farmers.
   - multi-car families with all cars insured on the same policy.
   - car pools.
   - cars equipped with air bags.
5. Consider special coverages or higher policy limits if you frequently drive other commuters to work or groups of children to school or special events.
6. Consider dropping collision coverage as cars get older.

PART III
GENERAL TEACHING SUGGESTIONS

INDIVIDUAL AND GROUP ACTIVITIES

Policy Analysis

Obtain copies of *Sample Insurance Policies, Introductory Book* from the Insurance Information Institute or policies from an insurance agent or broker, from students' families, from teachers or other sources.

1. Analyze the policies individually, in pairs or small groups or as a class, looking for:
   - coverages
   - exclusions
   - definitions
   - similarities and differences among policies
   - limitations on coverage
   - amounts of coverage
2. Rewrite selected paragraphs of a policy in your own words. Use the dictionary to learn the meanings of the unfamiliar words you may encounter. (This activity should help students overcome the trepidation with which many policyholders regard their policies.)

Legislative Analysis

Contact representatives in the state and federal legislatures for copies of selected state or federal laws and pending bills which are intended to regulate or affect property and liability insurance for the home or auto. Analyze the laws and bills to learn:

- basic provisions of specific laws and bills.
- ease and cost of enforcement.
- benefits and consequences of each law and bill for 1) consumers, 2) the insurance business, 3) the housing industry or 4) the automobile industry, 5) the economy.

(Even if students have difficulty understanding the wording or content of actual or proposed legislation, they should develop some additional appreciation of the complexity of the legislative process.)

Consumer Insurance Directory

Prepare a consumer's guide to home and auto insurance for your area. Include government agencies, private organizations, consumer organizations, insurance associations at local, state and national level where consumers can obtain information, advice and, when needed, assistance in settling grievances connected with insurance for the home and auto.

Information Up-Date

As an individual or a small group of students, set up a project for updating textbooks and reference materials on hand using supplementary materials and checking with authorities in the insurance and related industries.

Committee Projects

Establish standing committees in the class to keep up with and report to the class periodically in the following areas as they relate to home and auto insurance:

- *legislation* — local, state, federal.
- *personalities* — authorities in the insurance field, legislators, consumer advocates and others.
- *current events* — happenings in the news related to insurance.
- *correspondence* — letters to insurance companies or associations, legislators and others requesting information or materials on insurance.

SUGGESTIONS FOR USING RESOURCE PERSONS

Because many teachers have difficulty with the topic of insurance, resource people knowledgeable in insurance often are a valuable asset to a class. However, a few general suggestions for utilizing resource people will help ensure that the experience is educationally beneficial.

Preliminary Steps

There are several sources of qualified resource persons. Local agents or brokers are often available. If an insurance company has its home office or a branch office in the community, contact its public affairs department. Indicate your preference for a speaker who has experience in personal lines (auto and homeowners) insurance, rather than commercial lines or life insurance and ask that he or she limit the discussion to that area. Inquire into the qualification of the proposed speaker. A person who holds the designation C.P.C.U. (Chartered Property Casualty Underwriter) has passed rigorous examinations to earn the designation. Also, some insurance people have had training or experience in teaching. Given a choice, it would probably be wiser to use the person who is trained as a teacher.

Prepare the Students

It is often preferable to provide students with a general foundation of insurance principles before the resource person's visit. Ask students to list particular discussion topics and questions. Students should be encouraged to challenge the speaker or ask for clarification of any point not adequately presented.

Prepare the Speaker

If possible, meet with the resource person, or at least discuss the assignment in a telephone conversation. Apprise the speaker of the students' level of knowledge so that he or she will be able to build on existing levels of understanding. Remind the speaker that the presentation should not be commercial, but rather that it should be a candid treatment of a significant topic. (However, a resource speaker may wish to distribute certain brochures, homeowners inventory booklets, and so on that carry a company name.) During the presentation, the teacher should remain in the room at all times to moderate the discussion and to ensure that the established educational goals are achieved.

If there are several available persons or firms from which to select, it may be wise to rotate the speakers so that no one person or firm enjoys an advantage at the expense of others.

Following the Presentation

Have one or several students prepare a thank-you letter to the resource person expressing the appreciation of the class. There are various culminating activities that can be developed around the presentation. One or several students may be directed to summarize the significant points covered. Make note of any questions or points that were not adequately covered and discuss them in class.

PART IV
REFERENCE SECTION

INFORMATION SOURCES

Up-to-date reference materials and reliable sources of current information are essential in all fields of learning and are particularly important in subject matter areas that change as rapidly as insurance. Following are some general and specific sources of information on property and liability insurance.

Newspapers and Magazines in general and specifically:

AMERICAN HOME
BETTER HOMES AND GARDENS
BUSINESS WEEK
CHANGING TIMES
NATIONAL OBSERVER
CONSUMER REPORTS
GOOD HOUSEKEEPING
FORTUNE
MONEY
WALL STREET JOURNAL

People and Places including:

consumer organizations
claims adjusters
insurance agents and brokers
safety engineers and experts
teachers
better business bureaus
insurance companies
state insurance department
legal aid societies
libraries
insurance associations

Associations, Organizations and Government Agencies

Those that provide information on or related to *information on home and auto insurance* include:

Insurance Crime Prevention Institute
15 Franklin Street
Westport, Ct. 06880

Insurance Information Institute
110 William Street
New York, NY 10038

National Safety Council
444 North Michigan Avenue
Chicago, IL 60611

U.S. Consumer Product Safety Commission
Washington, DC 20207

U.S. Office of Consumer Affairs
Washington, DC 20201

Those that provide information on or related to *home insurance* include:

National Fire Protection Association
470 Atlantic Avenue
Boston, MA 02210

U.S. Department of Housing and
Urban Development
Washington, DC 20410

Those providing information on or related to *auto insurance* include:

Insurance Institute for Highway Safety
Watergate 600
Washington, DC 20037

Center for Auto Safety
1346 Connecticut Avenue, Suite 1223
Washington, DC 20036

Motor Vehicle Manufacturers Association
300 New Center Building
Detroit, Michigan 48202

National Automobile Theft Bureau
10330 South Roberts Road
Palos Hills, Illinois 60482

Tire Industry Safety Council
766 National Press Building
Washington, DC 20045

U.S. Department of Transportation
National Highway Traffic Safety Administration
Washington, DC 20590

EDUCATIONAL MATERIALS AVAILABLE FROM THE INSURANCE INFORMATION INSTITUTE

Free Printed Materials

A Family Guide to Auto & Home Insurance
A 24-page illustrated booklet that explains in simple terms things everyone should know about insurance for the home and the car. One per teacher. Updated periodically.

Home Insurance
A six-page leaflet entitled, "Insurance for the Home" that includes: a review of the properties covered, perils insured against, factors affecting premium costs, and a test. One per student. Updated annually.

Auto Insurance
A six-page leaflet entitled, "Insurance for the Car" that includes: statistics on accidents, injuries, and deaths and their effect on rates; an explanation of basic coverage and the persons and property to which they apply; information on financial responsibility laws, the "no-fault" concept, driver education and "good student" discounts, assigned risk plans and motorcycle insurance, and a test. One per student. Updated annually.

Wall Chart on Automobile Insurance
A two-color, 27" x 40" chart of basic coverages provided by the family automobile policy for the persons and property to which they apply. One per classroom.

Wall Chart on Home Insurance
A two-color, 27" x 40" chart of coverages provided by the broad form of the homeowners policy for the persons and property to which they apply. One per classroom.

Chances Are . . .
A 32-page programmed booklet that explains the law of large numbers and how it applies to property and liability insurance. One per student.

Insurance Insights
A periodic report to educators, in newsletter form, on property and liability insurance. Available on a complimentary basis. A typical issue contains insurance education ideas, suggested teaching strategies, an annotated list of resource materials and insurance-related items of general interest.

Sample Insurance Policies
Basic automobile and homeowners policies and forms. 48 pages. Intended primarily for college students in introductory courses. Useful in certain consumer education programs. Available free in reasonable quantities.

Insurance Facts
An annual publication of selected statistical data and background information on property, liability, marine and surety insurance. One per teacher.

Sound Filmstrips/Slide Programs

"You and Your Automobile Insurance"

"You and Your Home Insurance"

Two 12-minute color photography presentations of basic insurance concepts. Each is available as a filmstrip or slide program and is accompanied by a sound cassette and a 12-page educator's guide which includes instructional objectives, a glossary of terms, activity ideas and a printed script.

Prices:	Each filmstrip	$10.00
	Each slide program	$20.00

Available for purchase only. Orders must be accompanied by purchase order, check or money order. If not satisfactory, filmstrips or slide sets may be returned for refund.

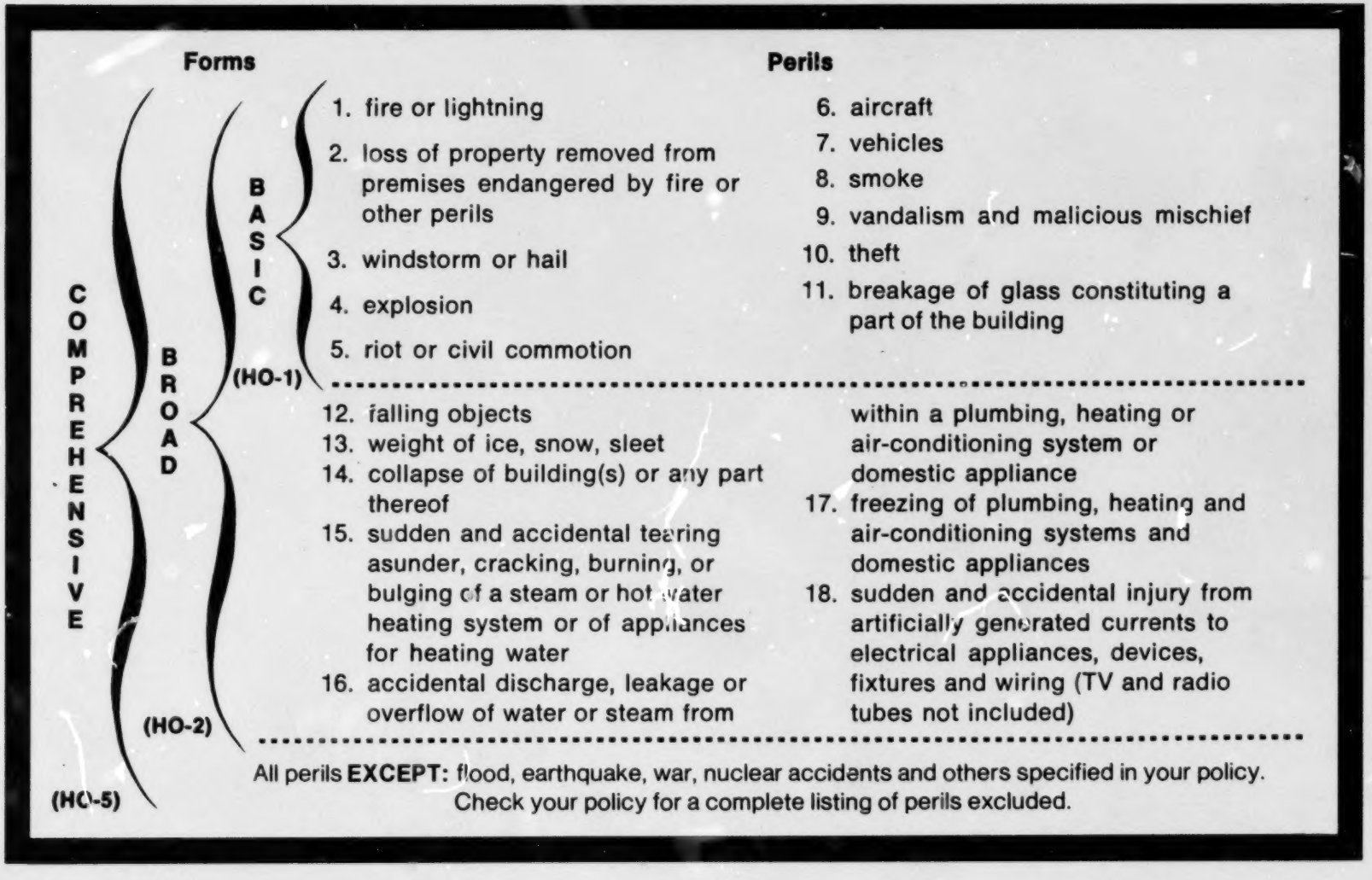
In addition to providing the above educational materials for use by teachers and students, the Education Department of the Insurance Information Institute provides assistance to graduate students researching topics dealing with insurance.

For additional information on educational materials contact:

Education Department
Insurance Information Institute
110 William Street
New York, New York 10038

PERILS AGAINST WHICH PROPERTIES ARE INSURED

HOMEOWNERS POLICY


Forms
Perils
COMPREHENSIVE
BROAD
BASIC
(HO-1)
(HO-2)
(HO-5)
1. fire or lightning
2. loss of property removed from premises endangered by fire or other perils
3. windstorm or hail
4. explosion
5. riot or civil commotion
6. aircraft
7. vehicles
8. smoke
9. vandalism and malicious mischief
10. theft
11. breakage of glass constituting a part of the building
12. falling objects
13. weight of ice, snow, sleet
14. collapse of building(s) or any part thereof
15. sudden and accidental tearing asunder, cracking, burning, or bulging of a steam or hot water heating system or of appliances for heating water
16. accidental discharge, leakage or overflow of water or steam from within a plumbing, heating or air-conditioning system or domestic appliance
17. freezing of plumbing, heating and air-conditioning systems and domestic appliances
18. sudden and accidental injury from artificially generated currents to electrical appliances, devices, fixtures and wiring (TV and radio tubes not included)
All perils EXCEPT: flood, earthquake, war, nuclear accidents and others specified in your policy.
Check your policy for a complete listing of perils excluded.

HOMEOWNERS POLICY

Broad Form

PROPERTIES COVERED

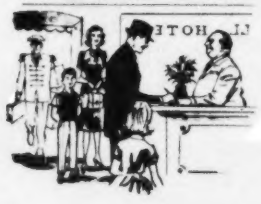
YOUR HOME

PERSONAL PROPERTY

at HOME

and AWAY

ADDITIONAL LIVING EXPENSE



PERILS INSURED AGAINST

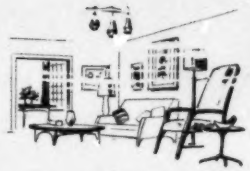
FIRE AND LIGHTNING

VANDALISM AND MALICIOUS MISCHIEF

VEHICLE OR AIRCRAFT DAMAGE

WINDSTORM AND HAIL

BURGLARY AND THEFT



SMOKE

EXPLOSION

FALLING OBJECTS

RIOT AND CIVIL COMMOTION

Weight of Ice or Snow

Glass Breakage

Freezing of Plumbing System

Electrical Damage to Appliances

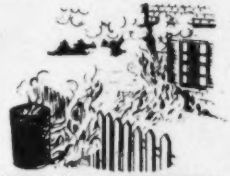
Rupture of Water Heaters and Heating Systems

Collapse

Water from Plumbing System

LIABILITY COVERAGES

BODILY INJURY LIABILITY



DAMAGE TO PROPERTY OF OTHERS

COST OF LEGAL DEFENSE

MEDICAL PAYMENTS

AUTOMOBILE INSURANCE

BODILY INJURY COVERAGES

- Bodily Injury Liability
- Medical Payments
- Protection Against Uninsured Motorists

PROPERTY DAMAGE COVERAGES

- Property Damage Liability
- Comprehensive Physical Damage
- Collision

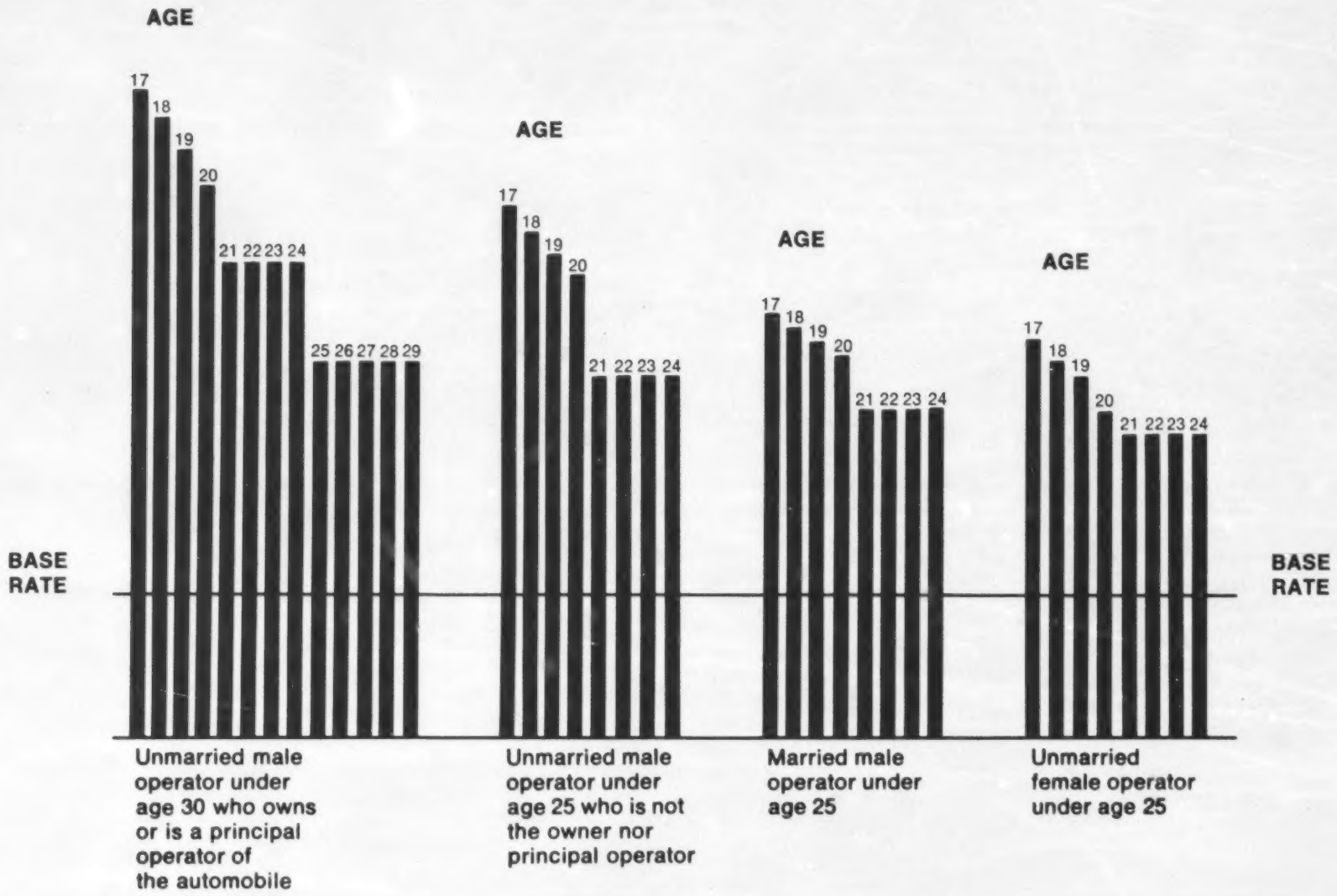
PRINCIPAL APPLICATIONS

Policyholder	Other Persons
NO	YES
YES	YES
YES	YES

Policyholder's Car	Property of Others
NO	YES
YES	NO
YES	NO

23

RATES GO DOWN
AS YOUNG DRIVERS GROW OLDER*


AGE
17 18 19 20 21 22 23 24 25 26 27 28 29
BASE RATE
Unmarried male operator under age 30 who owns or is a principal operator of the automobile
AGE
17 18 19 20 21 22 23 24
Unmarried male operator under age 25 who is not the owner nor principal operator
AGE
17 18 19 20 21 22 23 24
Married male operator under age 25
AGE
17 18 19 20 21 22 23 24
Unmarried female operator under age 25
BASE RATE

* Based on a driver classification plan used by a large segment of the business in many states. These comparisons of gradations are for private passenger cars used for pleasure where all operators have "clean" driving records. Adjustments in premiums are made for cars used to drive to work, used for business, or used on a farm. Adjustments are also made for youthful operators with driver training credit, drivers with "unclean" driving records, and owners of more than one car. In many states, premium discounts are available to students with outstanding scholastic records.